The Real Estate ANALYST

SEPTEMBER 30
1957

Volume XXVI

Number 42

Real Estate Economists, Appraisers and Counselors

DEPARTMENT STORE SALES LAGGING CHANGES IN NATIONAL DISPOSABLE INCOME

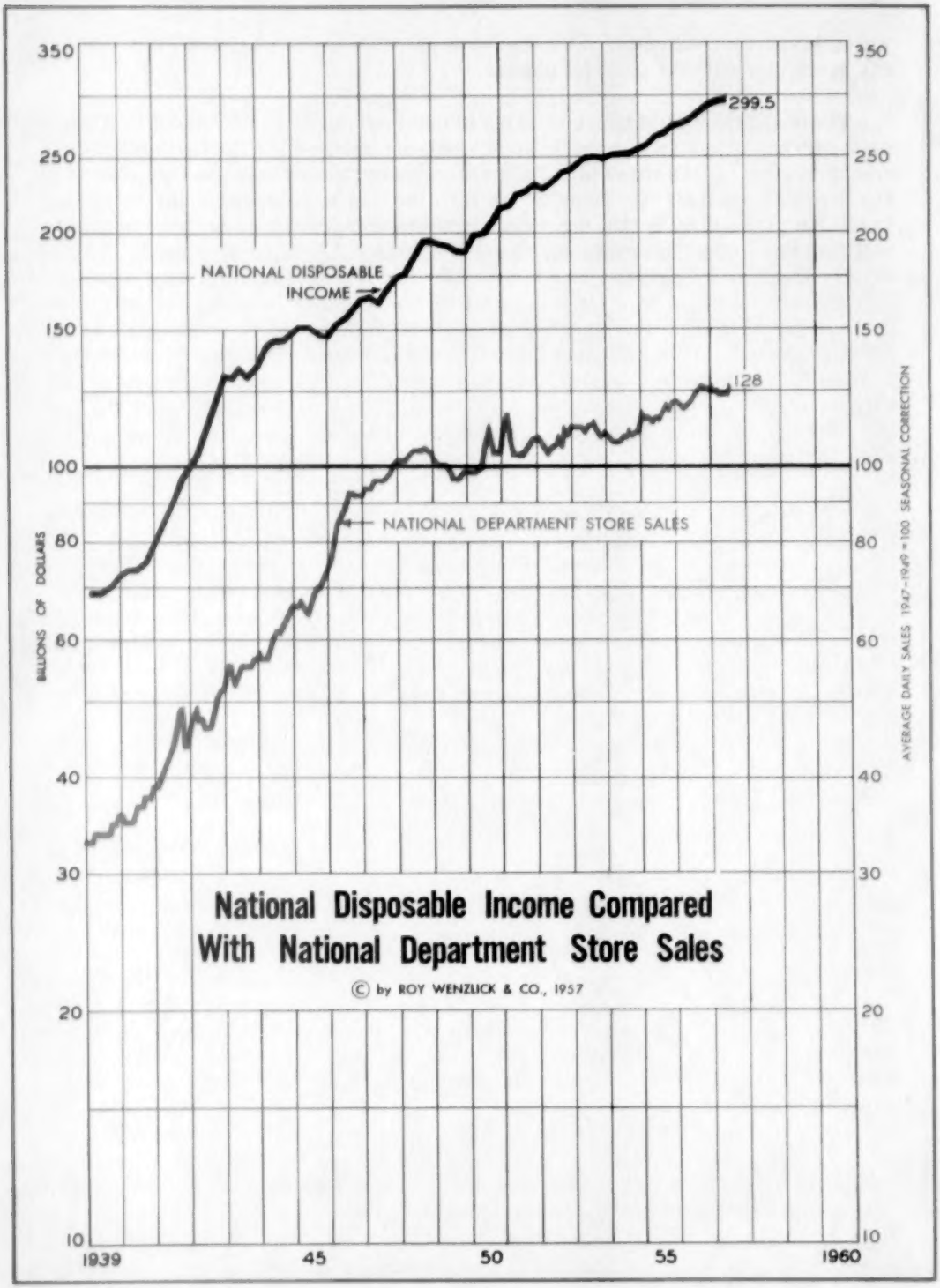
THE average person in the United States has more money to spend this year than he had last. Part of this is not an increase in real income, as the cost of living has continued its advance, but even after adjustment, real purchasing power has shown some gain.

Charted over a period of years it has been assumed that department store sales in the United States would vary in a close relationship with changes in national disposable income. During the past 11 years, however, the charted figures on page 428 indicate that department store sales have not increased as rapidly on a dollar basis as national disposable income. During that period, national disposable income has doubled, going from $150 billion to practically $300 billion. During the same period, national department store sales have increased by only 70%, and if we take the increase in the past 10 years, it is only 39%.

Since the public has not changed its savings habits by a large enough amount to account for these differences, it indicates that the general public is now spending a larger percentage of its income outside of department stores than it formerly did. A further study might reveal whether this money is now being spent on automobiles and gasoline, on longer vacations, or on a multitude of other things which are not purchased in a department store. It might also indicate that some goods, formerly bought in department stores, are now being purchased in large chain apparel stores.

On pages 430 to 437 are the charts showing department store sales from 1939 before the beginning of World War II through the middle of 1957. The blue line on each chart shows the average daily sales expressed as a percentage of the 1947-49 average. For instance, the final figure on Akron would indicate that at the present time department store sales in dollars are running 15% above this base period, while in Atlanta they are running 57% above.

It should be kept in mind in looking at these charts that while they have been corrected for seasonal fluctuations, they have not been corrected for population, which means that the charts for rapidly growing communities will show a greater upward trend than will be found in those areas where population has been static. The red line on each chart shows the average of department store sales for all


350
250
200
150
100
80
60
40
30
20
10
299.5
NATIONAL DISPOSABLE INCOME
128
NATIONAL DEPARTMENT STORE SALES
BILLIONS OF DOLLARS
AVERAGE DAILY SALES 1947-1949 = 100 SEASONAL CORRECTION
1939
45
50
55
1960
National Disposable Income Compared With National Department Store Sales
© by ROY WENZLICK & CO., 1957

cities in the United States. This makes it possible to compare the experience in any given city with the national picture.

These charts should prove of value to many not directly interested in department stores. They form a fairly good localized index of the fluctuations in consumer buying. If the trend is up, the chances are that business in that area is in fairly good condition. On the other hand, if the line is dropping in any particular area, the probability is that many organizations doing business in that community will find the volume unsatisfactory for the capacity they have developed. Fortunately, there are not many cities in which the trend is adverse, although there are a number of cities in which the current figure is below the base period. New York is one of these. The figure charted shows department store sales 6% below the base period. This indicates that many sales formerly made in the five boroughs are being diverted to other parts of the metropolitan area where large and enterprising shopping centers have developed. This is further proved by the fact that if the figures for the entire metropolitan area are charted, these figures show Metropolitan New York to be 18% above the base period.

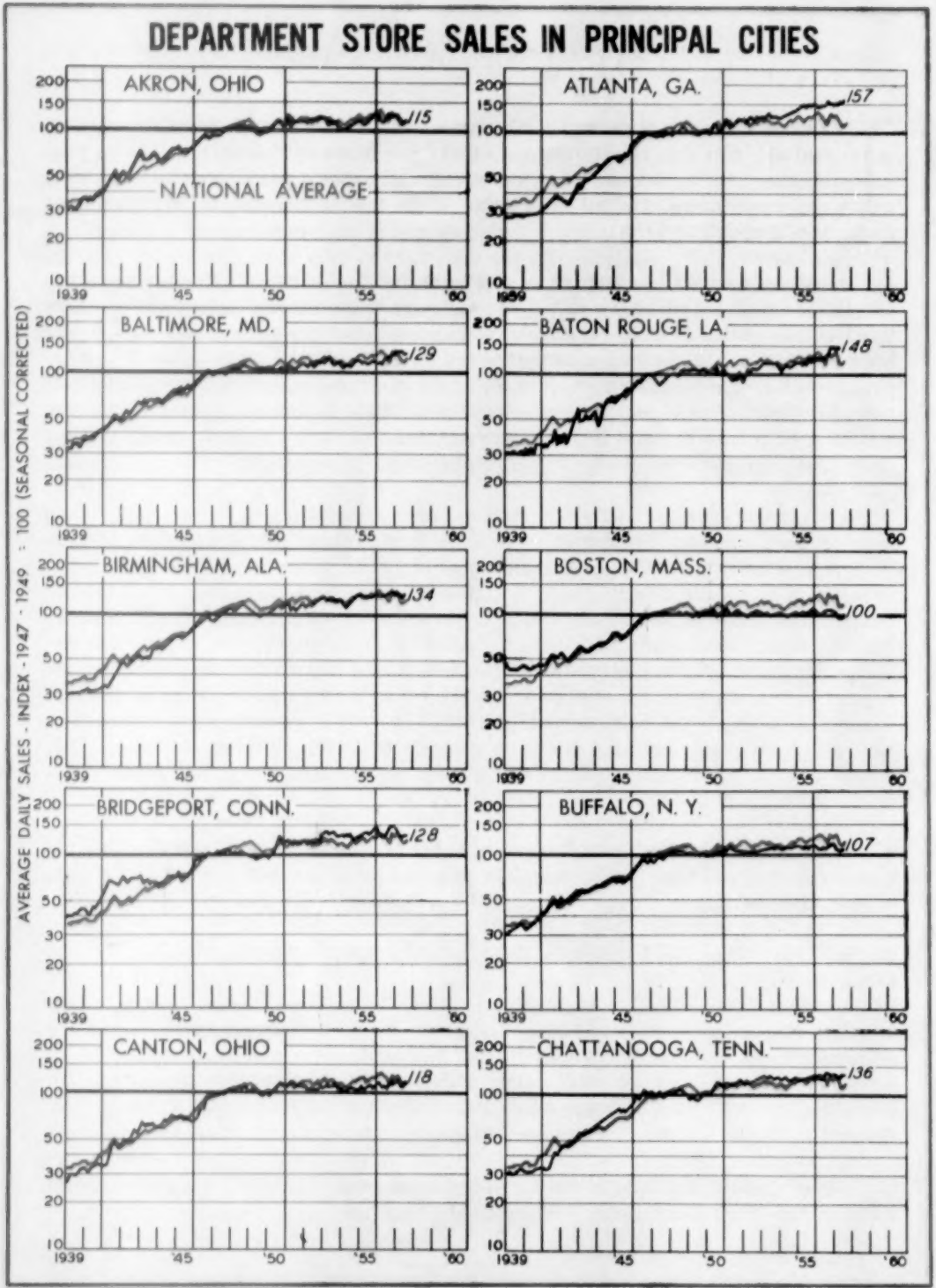
A good example of a city where a rapid increase in population growth has brought about a much higher level of department store sales would be Miami. Here, department store sales are running almost $2\frac{1}{2}$ times what they were in the base period. Of the 80 cities charted, Boston and Wilkes-Barre have department store sales at the present time just equal to the 1947-49 average. This would indicate that in these cities the number of items sold by department stores has actually declined. Higher merchandise prices would normally bring about an increase in sales as volume remained constant. In 7 cities dollar volume of sales was actually below the base period by from 1% to 10%. These cities and the percentage of decrease are as follows: Providence, -10%; Everett, Wash., -7%; New York, -6%; Fresno, -5%; Newark, -4%; Springfield, Ohio, -2%; and Portland, Oreg., -1%.

In 24 of the 80 cities the increase in sales above the base period amounted to more than 35%. These cities, listed in order of their percentages above the base period, are as follows:

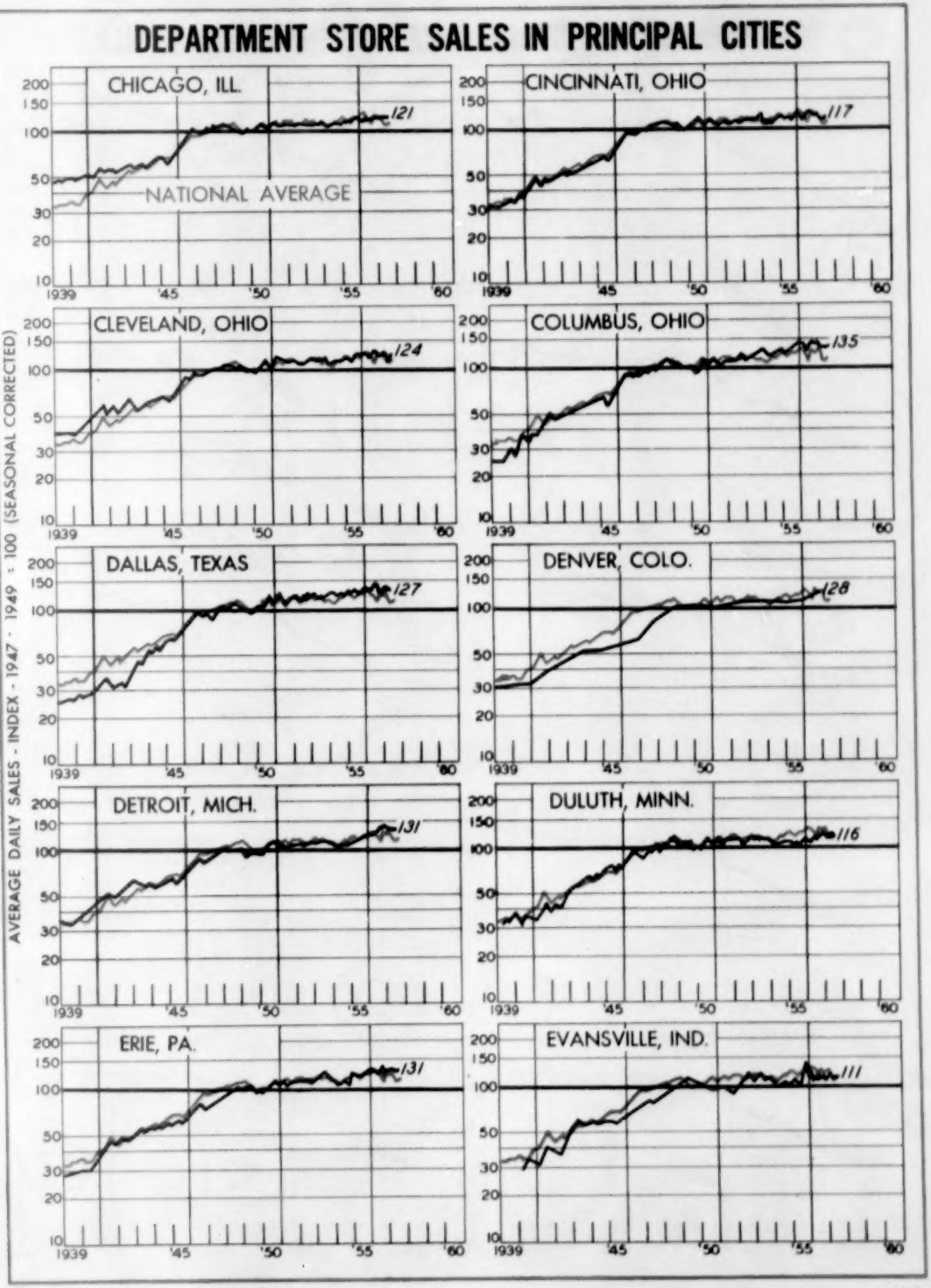
Miami, Fla. . . . 144	Baton Rouge, La. . 48	Seattle, Wash. . . 37
Sacramento, Calif. 78	Wichita, Kans. . . 48	Chattanooga, Tenn. 36
Youngstown, Ohio . 64	Washington, D. C. 47	St. Louis, Mo. . . 36
Atlanta, Ga. . . . 57	Macon, Ga. 46	Tampa, Fla. . . . 36
Houston, Tex. . . . 51	York, Pa. 45	Columbus, Ohio . . 35
San Jose, Calif. . . 50	Nashville, Tenn. . 45	Fort Wayne, Ind. . 35
Wheeling, W. Va. . 50	Reading, Pa. . . . 39	Minneapolis, Minn. 35
Knoxville, Tenn. . 49	Tacoma, Wash. . . 39	New Orleans, La. 35

Ten of these cities are in the South and Southeast, 7 are in the East Central, 4 are on the West Coast, and 3 in the Central States.

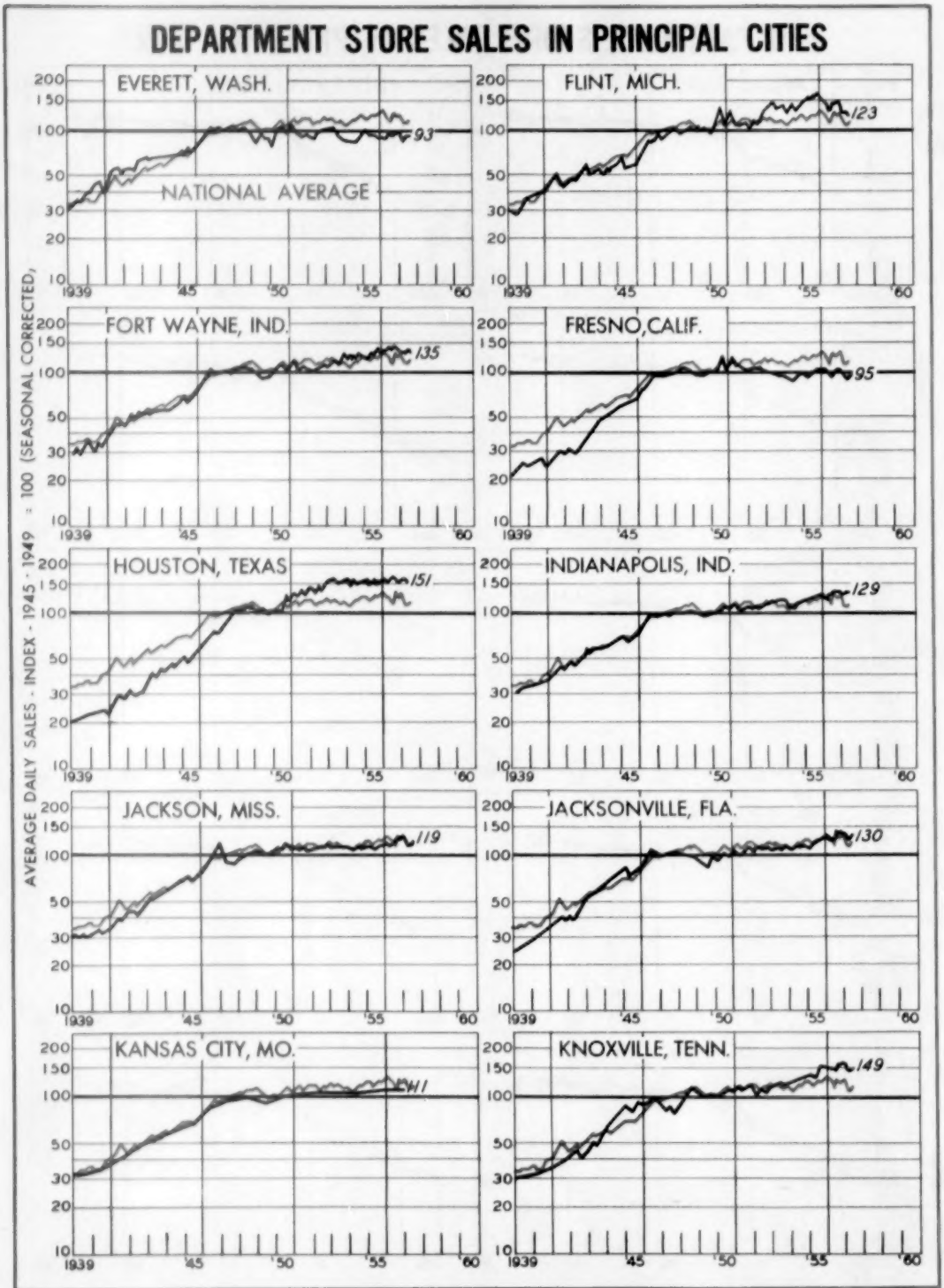
DEPARTMENT STORE SALES IN PRINCIPAL CITIES



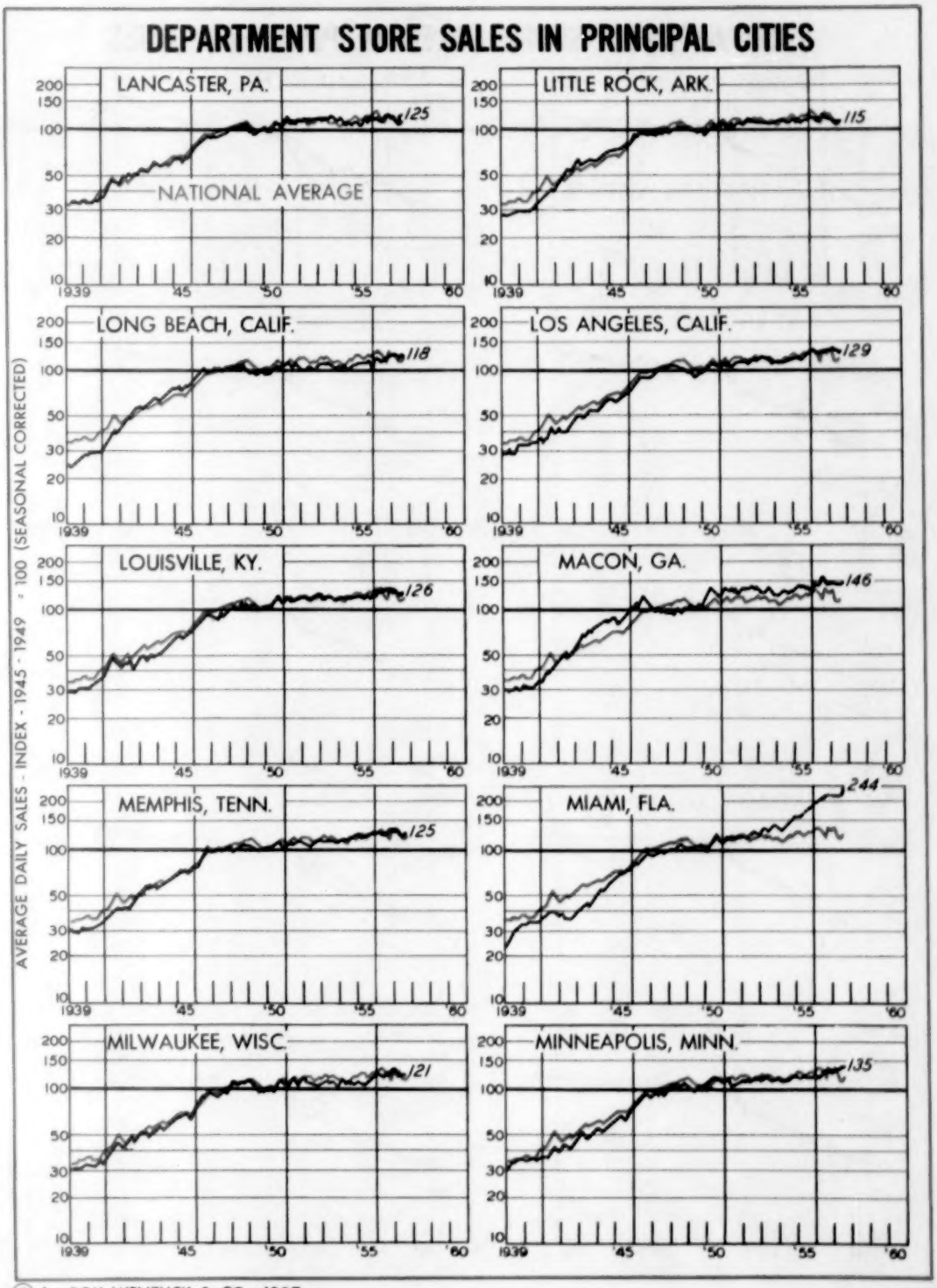
DEPARTMENT STORE SALES IN PRINCIPAL CITIES



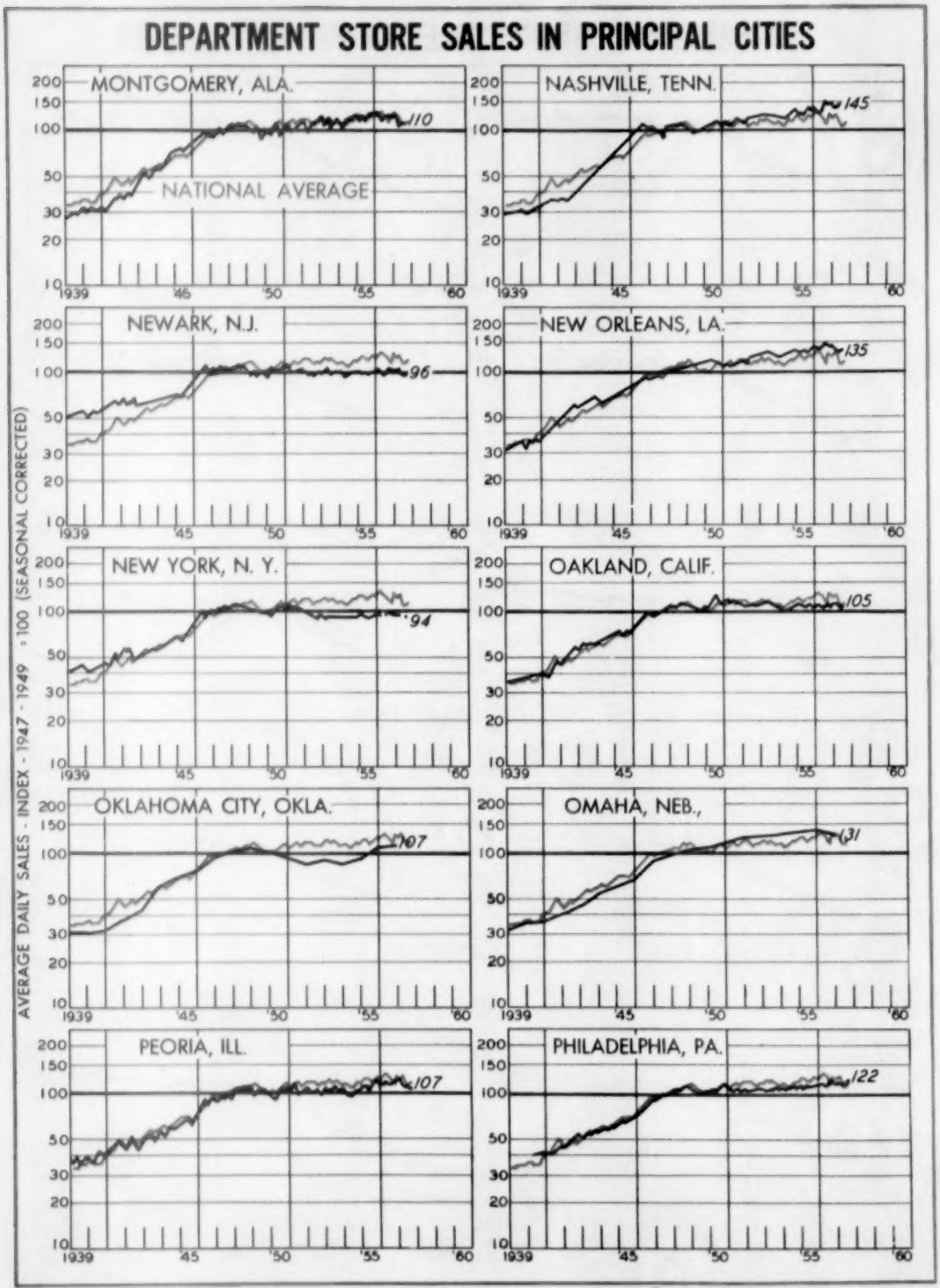
DEPARTMENT STORE SALES IN PRINCIPAL CITIES



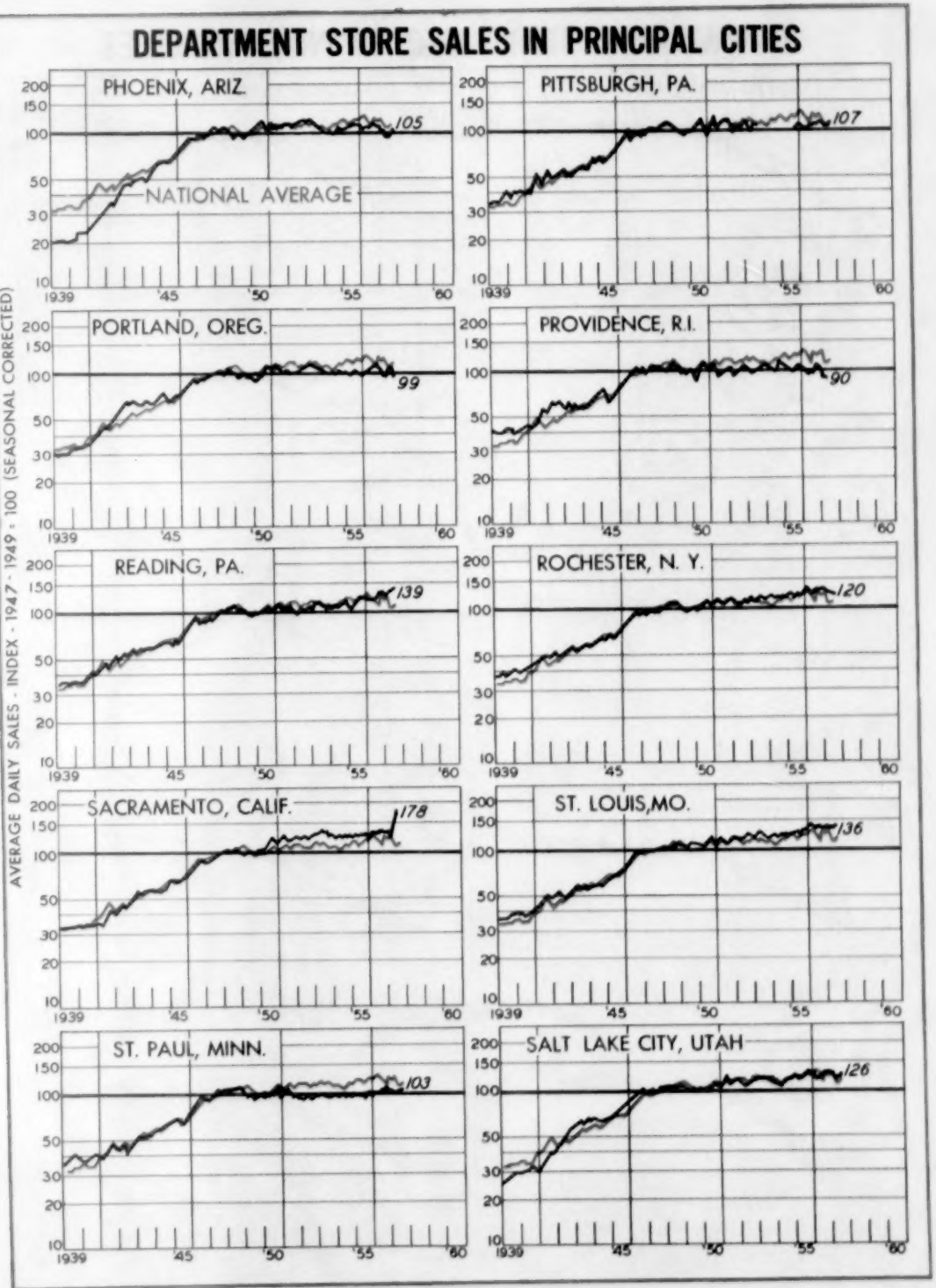
DEPARTMENT STORE SALES IN PRINCIPAL CITIES



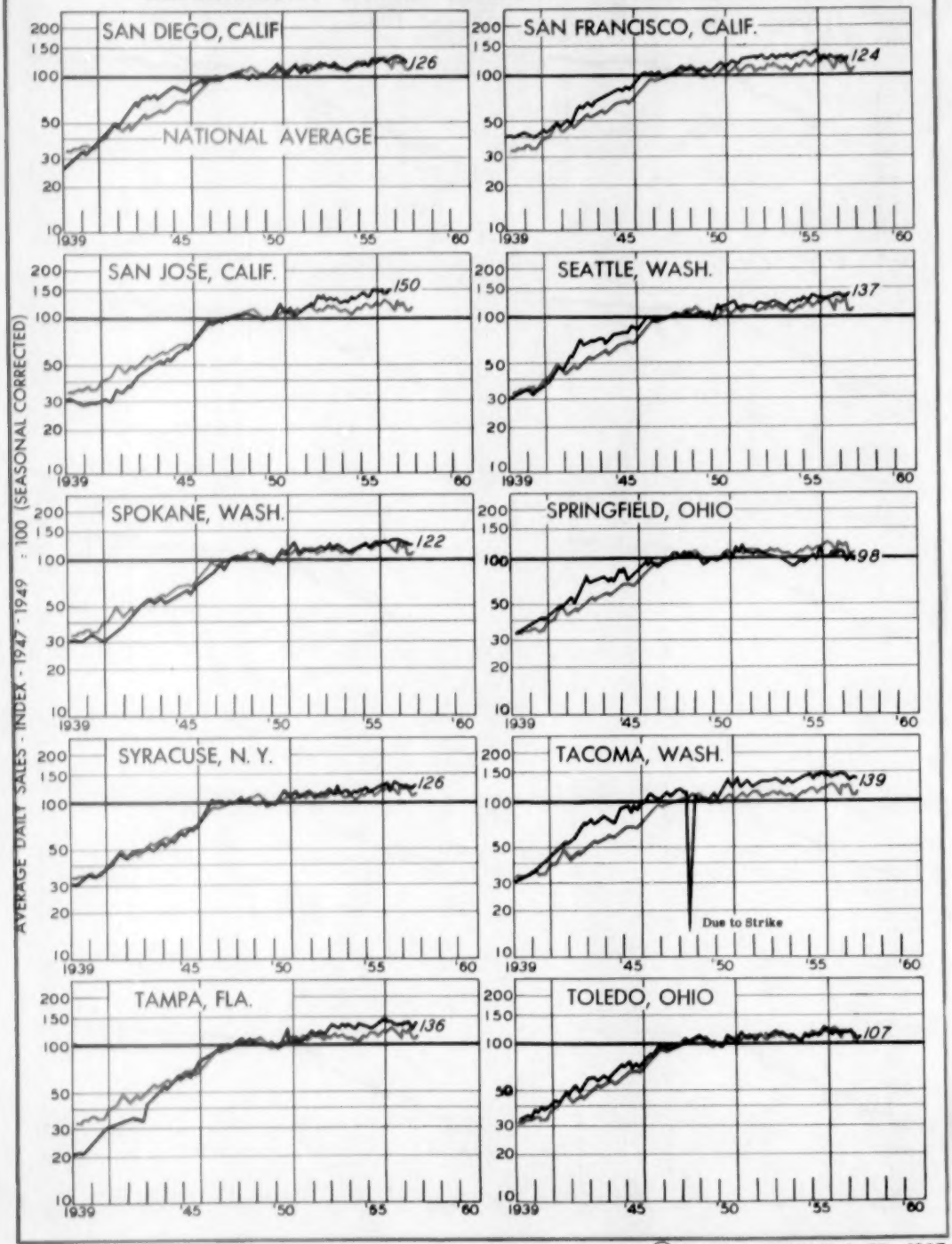
DEPARTMENT STORE SALES IN PRINCIPAL CITIES



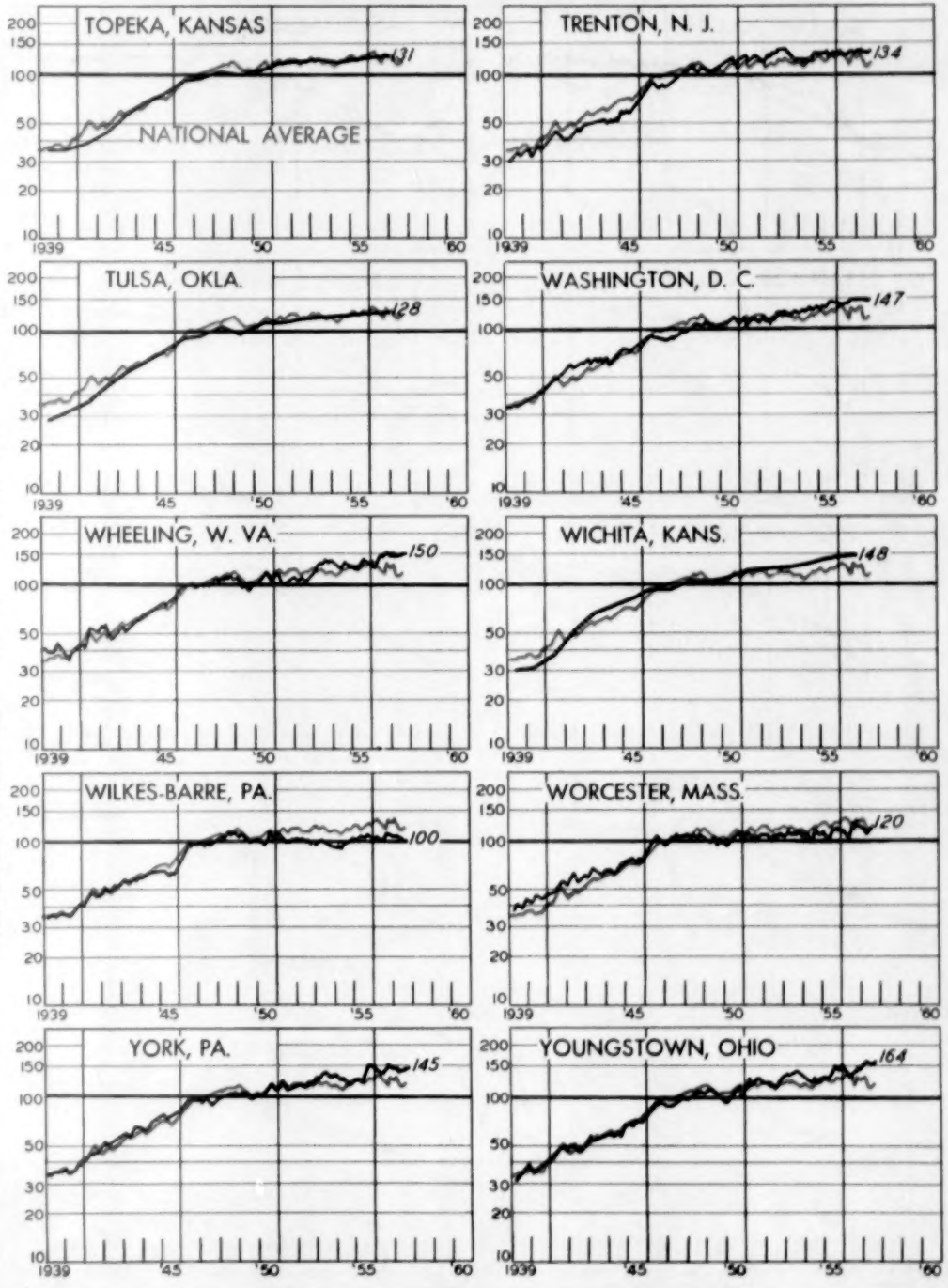
DEPARTMENT STORE SALES IN PRINCIPAL CITIES

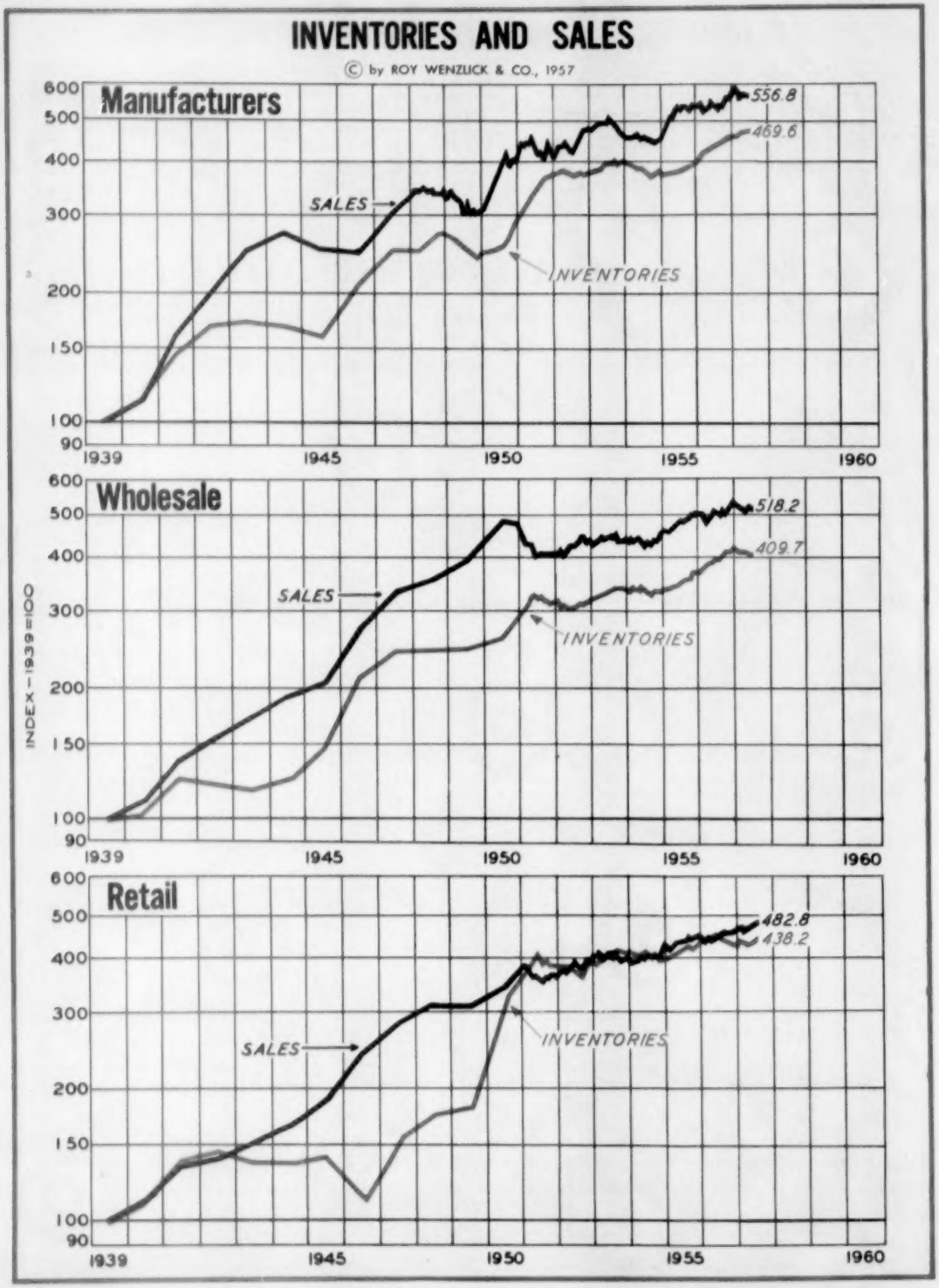


DEPARTMENT STORE SALES IN PRINCIPAL CITIES



DEPARTMENT STORE SALES IN PRINCIPAL CITIES




INVENTORIES AND SALES
© by ROY WENZLICK & CO., 1957
Manufacturers
556.8
469.6
SALES
INVENTORIES
Wholesale
518.2
409.7
SALES
INVENTORIES
Retail
482.8
438.2
SALES
INVENTORIES
INDEX - 1939=100
600
500
400
300
200
150
100
90
1939
1945
1950
1955
1960

INVENTORIES AND SALES

THE chart on the page opposite shows the relationship between inventories and sales at the manufacturing level, the wholesale level, and the retail level. During the past 6 years the relationships at all three levels have remained fairly constant, but with some inventory correction in the retail field during the past 12 months.

It will be noticed by comparing the inventories and sales positions at the three levels that starting about 7 years ago retail inventories moved into a higher relationship with sales than did inventories of manufacturers or wholesalers. This higher relationship, however, has now continued for enough years to make it probable that this condition is now apparently normal. It may be due to changes in merchandising techniques, or it may be that the real change has come in the manufacturing and wholesaling fields where inventories during this period have been lower than they were in 1939. Better inventory controls and faster delivery practices may be responsible.

All in all, the inventory position at the present time shows no cause for alarm. Only if sales were to drop rapidly would inventories become excessive.

VALUES HOLDING STEADY – NUMBER OF SALES DOWN

WHILE residential values are holding remarkably well in most cities of the United States, the number of transfers in practically all communities is running considerably under the corresponding period of a year ago.

The tables on pages 440 and 441 show the average number of real estate transfers per 10,000 families for the last 3 months available in each city in contrast with the average for the same 3 months of 1956. There are 87 cities on this list where figures are available in both periods. In 9 of these cities the rate of transfers is running above a year ago; in 4 of the cities more than 6% above a year ago. On the other hand, in 78 cities the transfer rate is below, and in 26 of these cities it is below by more than 16%. The average drop in the entire list of 87 cities is 14.7%.

It is rather peculiar to have the number of sales dropping by a considerable percentage and the selling price holding constant. Apparently the prospective seller believes that selling prices are still rising, and only those who are willing to accept about the same price their property would have brought a year or two ago are finding a market. The fact that building costs are running considerably higher than they were a year ago is undoubtedly hurting new construction, but is helping the values of properties already built. Everything else being equal, when

(cont. on page 442)

REAL ESTATE TRANSFERS PER 10,000 FAMILIES
PRESENT COMPARED WITH A YEAR AGO

City	Last year	Present	% change
Akron, Ohio	106.2	108.9	+ 2.5
Allentown, Pa.	75.2	64.8	-13.8
Atlanta, Ga.	128.1	117.9	- 8.0
Austin, Tex.	102.2	87.4	-14.5
Baltimore, Md.	108.1	93.7	-13.3
Binghamton, N.Y.	75.6	73.9	- 2.3
Birmingham, Ala.	84.0	81.0	- 3.6
Boston, Mass.	45.9	38.1	-17.0
Bridgeport, Conn.	56.6	46.8	-17.3
Buffalo, N.Y.	81.1	72.7	-10.4
Chattanooga, Tenn.	103.5	95.7	- 7.5
Chicago, Ill.	56.8	44.1	-22.4
Cincinnati, Ohio	81.7	74.2	- 9.2
Cleveland, Ohio	87.5	76.2	-12.9
Columbus, Ohio	114.9	109.2	- 5.0
Dallas, Tex.	98.6	103.5	+ 5.0
Davenport, Iowa	82.2	75.8	- 7.8
Dayton, Ohio	118.4	94.5	-20.2
Decatur, Ill.	110.4	*	-
Denver, Colo.	86.3	62.9	-27.1
Des Moines, Iowa	137.0	126.4	- 7.7
Detroit, Mich.	72.7	60.7	-16.5
Duluth, Minn.	114.7	*	-
Elizabeth, N.J.	91.9	75.6	-17.7
Evansville, Ind.	94.4	77.4	-18.0
Fall River, Mass.	54.9	46.0	-16.2
Flint, Mich.	157.8	153.2	- 2.9
Fort Wayne, Ind.	111.5	99.3	-11.0
Fort Worth, Tex.	109.3	92.5	-15.4
Gary, Ind.	101.6	86.1	-15.3
Grand Rapids, Mich.	92.9	82.4	-11.3
Hartford, Conn.	63.5	55.8	-12.1
Houston, Tex.	37.7	53.5	+41.9
Indianapolis, Ind.	106.5	84.3	-20.9
Jacksonville, Fla.	132.4	120.4	- 9.1
Jersey City, N.J.	31.6	28.3	-10.5
Kalamazoo, Mich.	113.1	97.4	-13.9
Kansas City, Mo.	83.1	79.5	- 4.3
Lafayette, Ind.	88.9	85.8	- 3 5
Little Rock, Ark.	98.8	91.1	- 7.8
Los Angeles, Calif.	116.9	112.2	- 4.0
Louisville, Ky.	109.7	86.0	-21.6
Lowell-Lawrence-Haverhill, Mass.	43.6	32.8	-24.8
Memphis, Tenn.	78.3	72.8	- 7.0
Miami, Fla.	122.0	115.4	- 5.4
Milwaukee, Wisc.	72.9	61.3	-15.9
Minneapolis, Minn.	117.6	94.9	-19.3
Muncie, Ind.	118.9	109.1	- 8.3

REAL ESTATE TRANSFERS PER 10,000 FAMILIES
PRESENT COMPARED WITH A YEAR AGO

City	Last year	Present	% change
Nashville, Tenn.	88.3	84.6	- 4.2
Nassau County, N.Y.	176.9	135.8	-23.2
Newark, N.J.	49.4	42.4	-14.2
New Haven, Conn.	67.9	52.1	-23.3
Oakland, Calif.	88.2	76.5	-13.3
Oklahoma City, Okla.	133.5	105.5	-21.0
Philadelphia, Pa.	52.8	46.4	-12.1
Phoenix, Ariz.	220.7	236.1	+ 7.0
Pittsburgh, Pa.	66.2	58.6	-11.5
Portland, Maine	95.5	88.2	- 7.7
Portland, Oreg.	54.3	51.6	- 5.0
Queens County, N.Y.	47.9	39.5	-17.5
Richmond, Va.	57.6	45.1	-21.7
Rochester, N.Y.	84.5	78.2	- 7.5
St. Louis, Mo.	92.2	78.9	-14.4
St. Paul, Minn.	103.2	83.9	-18.7
St. Petersburg, Fla.	310.7	312.5	+ 0.6
Salt Lake City, Utah	89.0	90.6	+ 1.8
San Antonio, Tex.	83.4	78.5	- 5.9
San Diego, Calif.	144.5	145.2	+ 0.5
San Francisco, Calif.	104.6	88.7	-15.2
San Jose, Calif.	229.0	198.8	-13.2
Savannah, Ga.	76.7	*	-
Seattle, Wash.	116.0	120.6	+ 4.0
Somerville, Mass.	118.4	117.6	- 0.7
South Bend, Ind.	85.6	81.6	- 4.7
Springfield, Mass.	80.1	69.6	-13.1
Springfield, Mo.	138.0	124.7	- 9.6
Springfield, Ohio	105.7	77.8	-26.4
Syracuse, N.Y.	102.0	84.8	-16.9
Tacoma, Wash.	129.9	107.8	-17.0
Terre Haute, Ind.	97.8	87.6	-10.4
Toledo, Ohio	99.5	86.7	-12.9
Topeka, Kans.	124.8	101.8	-18.4
Trenton, N.J.	90.2	89.6	- 0.7
Tucson, Ariz.	194.0	184.5	- 4.9
Tulsa, Okla.	125.8	102.7	-18.4
Washington, D.C.	50.5	50.6	+ 0.2
Waterbury, Conn.	50.7	34.9	-31.2
Westchester County, N.Y.	83.8	75.6	- 9.8
Worcester, Mass.	74.5	63.7	-14.5
Youngstown, Ohio	121.4	100.0	-17.6
Winnipeg, Canada†	91.0	*	-
NATIONAL AVERAGE	89.1	76.0	-14.7

*Not available at present time.
†Not included in National Average.

VALUES HOLDING STEADY - NUMBER OF SALES DOWN

(cont. from page 439)

replacement costs rise, the values of all useful existing properties tend to rise by an almost equal percentage.

This study would seem to indicate that the real estate broker should be very selective in accepting listings. The smaller number of transfers would indicate the wisdom of trimming sales staffs by eliminating poor producers. If only listings are accepted which can be sold at a realistic price, the better salesmen remaining on the staff can take care of this business and make an adequate living. The days in which a part-time salesman was a real asset to a real estate broker are past.